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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA, Petitioner, **v.** **CRUSADER INSURANCE COMPANY,** Respondent.	Case No. 23STCP01915 **COMMISSIONER'S FIRST STATUS REPORT ON THE CONSERVATION OF CRUSADER INSURANCE COMPANY** Hearing on Concurrently-Filed Fee Application: Date: January 12, 2026 Time: 9:00 a.m. Dept: 34 Judge: Hon. Peter Hernandez Reservation ID: 042603320835

The Insurance Commissioner of the State of California (Commissioner), in his capacity as Conservator (Conservator) of Crusader Insurance Company (Crusader), hereby submits the following First Status Report on the conservation and run-off of Crusader. This report covers the period from June 7, 2023 through December 31, 2024 (First Reporting Period).

INTRODUCTION

On June 7, 2023, Crusader was placed into conservation by the Los Angeles County Superior Court (Court) after being found to be operating in hazardous financial conditions (the Conservation Order). The Conservation Order appointed the Commissioner as Conservator for Crusader effective June 7, 2023.

In his capacity as court-appointed Conservator, the Commissioner took possession of Crusader's assets and provided notice of the conservation to Crusader's parent company, Unico American Corporation (Unico), as well as various service and financial institutions, key vendors, known claimants, creditors, and stakeholders.

Crusader's principal line of business was commercial multiple peril insurance policies, including for apartments, trucking companies, commercial buildings, auto-body shops, mercantile, towing operators, bars, and restaurants. Business was produced primarily through an affiliated general agent working with independent agents and brokers.

Crusader entered into a voluntary "runoff" in September 2021, which means it stopped selling insurance policies to focus on managing existing policies and claims. In December 2021, it stopped renewing policies. At this time, all previously held policies have expired, but liability for claims continues until all open claims are resolved and/or the statutes of limitation on new claims under Crusader's policies have lapsed.

The purpose of this report is to update the Court, Crusader, Unico and all other interested parties on the Conservator's progress during the First Reporting Period, and to discuss anticipated next steps toward completing the orderly run-off of the conservation estate.

BACKGROUND

I. THE CONSERVATOR'S OPERATIONS

The Commissioner delegated his statutory administrative duties associated with the Crusader conservation estate to his Conservation and Liquidation Office (CLO) and Deputy Conservator Joseph Holloway. Scott Pearce is the court appointed Conservation Manager of the Crusader estate. Working through retained staff and independent consultants, the CLO oversees the estate, approves daily claims processing and expenses, and addresses any operational, regulatory, personnel and/or legal issues that may arise.

Crusader is a wholly owned subsidiary of Unico, a Nevada corporation. Crusader is a corporation duly organized and existing under and by virtue of the laws of the State of California, with its principal business office located at 5230 Las Virgenes Road, Suite 100, Calabasas, California, 91302. The Crusader estate's physical and electronic records and local data

system/servers are located in the estate's office in Calabasas, as well as certain sensitive data and equipment hosted at a secure co-location site located in Agoura Hills, California. Together with certain on-site retained Crusader staff, the CLO continues to manage the overall run-off activities and conservation requirements from the conservation estate's Calabasas office. The Conservator has negotiated a favorable lease of the current office space through December 2025.

As mentioned above, in September 2021, prior to the entry of the Conservation Order, Crusader voluntarily stopped writing new policies. Until its conservation, Crusader had been conducting a solvent run-off of its remaining claims. With the company now under conservatorship, Crusader's primary goal is to address and resolve all remaining claims while working to phase out or properly scale back all non-essential administrative work and the associated costs. Ultimately, subject to preserving sufficient reserves to fully resolve all claims and close the conservatorship proceeding, the conservation estate will seek the Court's authority to return Crusader, together with any residual assets, to its parent entity Unico.

After entry of the Conservation Order, the Crusader estate retained 12 employees and four consultants to continue the claims run-off effort, administer essential regulatory compliance, account for and report the estate's financial activity, maintain IT systems and provide the necessary workforce services to support and compensate the retained staff. To ensure proper support of the conservation and run-off efforts consistent with the Conservation Order, the CLO has assigned a full-time manager to provide weekly oversight to the estate.

After providing legal notice of the conservation to affiliates and stakeholders, the Crusader estate has worked cooperatively to separate its run-off operations from all co-mingled and/or dependent systems, services and assets shared with Unico (where practically/economically feasible).

While managing the initial claim run-off work pre-conservation, Unico management explored the possibility of Crusader pursuing a loss portfolio transfer (i.e., assumption of policy obligations by a reinsurer together with sufficient funded reserves (assets)) to address Crusader's remaining policy/claim exposure and potentially avoid a long-term conservation. Unfortunately,

there was no economically viable option.[1]

The Conservator also had conversations with a known and reputable acquirer of legacy liabilities for the insurance industry, concerning a loss portfolio transfer (LPT) and/or a sale of Crusader. After performing the necessary due diligence, the required terms of the LPT calculation offered by the runoff firm would require the remaining loss reserves to be reported at their actuarial high-point plus an additional risk premium adjustment. Crusader did not have sufficient assets to pledge in support of the higher required loss reserve and increased premium. As such, the Deputy Conservator devoted Crusader's on-going efforts to immediately reducing the estate's operational expenses and to targeting efficient claim administration and closures as the primary approach to resolve all remaining policy liability.

II. CRUSADER'S PAYMENT OF CLAIMS AND EXPENSES

As of May 31, 2023, a week before the entry of the Conservation Order, Crusader's records showed 358 open claims incurring $33.5 million in losses paid and an additional $7.6 million in loss adjustment expenses (these are the expenses incurred by an insurance company during the investigation and handling of a claim) (LAE). Reserves for future claim losses and LAE were set at $22.9 million and $752,338 respectively. The company had recoveries (subrogation and reinsurance claims) of approximately $1.1 million.

Approximately one month later, on June 30, 2023, the company reported policyholder surplus of $4.9 million.

As of December 31, 2023, approximately six months into the conservation, Crusader's records showed 209 open claims incurring $23.4 million in losses paid and $6.5 million in LAE (reflecting a reduction in the net open claims population of 149 since May 31, 2023). Crusader reported loss reserves at $17.2 million and LAE reserves of $448,382. The company had recoveries of approximately $295,779. The policyholder surplus was reported at $5.3 million.

As of June 30, 2024, more than a year into the conservation proceeding, Crusader reported

[1] During the second half of 2021 through early 2023, before the conservation proceeding, Crusader's parent company, Unico, likewise attempted to find a buyer or an assumption partner for the company. Despite Unico's considerable disposition efforts, no acceptable offer was received nor was any prospective buyer and/or partner identified.

157 open claims incurring $20.3 million in losses paid and $6.3 million in LAE (reflecting a reduction of the net open claims population by 52 since December 31, 2023). Crusader reported loss reserves of $12.2 million and LAE reserves of $285,500. The company had recoveries of $366,818. The policyholder surplus was reported at $3.7 million.

As of December 31, 2024, Crusader reported 84 open claims incurring $13.9 million in losses and $3.4 million in LAE. Crusader reported loss reserves of approximately $7.5 million and LAE reserves of $165,587. The company had $715,569 in recoveries. The policyholder surplus was reported at $2.78 million

Crusader continues to receive new claims each month, albeit on a materially reduced basis. For the entire 18-month First Reporting Period, Crusader received 66 new claims and the total open claims population was reduced on a net basis by 274 claims, even considering the receipt of the 66 new claims received in that timeframe.

While it is anticipated that claims will continue to close more quickly than new claims come in, the open claims remaining are all essentially in some form of litigation or formal dispute and therefore tend to be the most challenging claims to resolve and close. Many of the remaining plaintiffs do not appear inclined to settle and thereby the claims entail more formal legal activity (protracted discovery, alternative settlement events, witness preparation and ultimately trial). As a result of this, and the claims remaining open longer, the estate continues to incur defense and adjustment costs.

California statutes of limitation provide timeframes for filing lawsuits after an event occurs. These timeframes vary depending on the type of claim. Crusader's last policies went out of force during the 2022 calendar year based on the discontinuation of writing any new insurance business in September 2021 and non-renewals in December 2021. Therefore, it is likely that most if not all of Crusader's personal injury exposure lapsed in December 2024, its property damage exposure lapses in December 2025, and its breach of contract claims expire in December 2026. However, it is possible that lawsuits filed in a timely manner have not yet been tendered to Crusader and will be received by Crusader at later dates.

In an effort to maintain proper and reliable loss and loss expense reserve levels through the

claim run-off, the actuarial firm Milliman reviews and provides guidance on setting the estate's remaining loss and LAE reserves on a quarterly basis. Further, the Deputy Conservator has the quarterly Milliman guidance peer-reviewed by California Department of Insurance (CDI) actuaries to opine or give alternative feedback. After some initial discussion regarding the determination of reserve adequacy in late 2023 and early 2024, CDI's peer review has mostly agreed with Milliman's conclusions for the last three quarters of 2024. Working into 2025, the Crusader estate continues to address the remaining 84 open claims and seek settlements where possible.[2] Of the remaining open claims, over 75 percent are in some stage of formal dispute or litigation, and approximately 25 percent are habitation-based claims, which tend to take longer to investigate and resolve than other short tail types of claims (e.g., towing and trucking). Given that new claims continue to be reported to Crusader,[3] coupled with the continued costs to provide defense representation and litigation support resources, the run-off will likely continue to incur additional adjustment expenses and tend to take more time to resolve and close these claims. The company will continue to mitigate its incurred losses by notifying its reinsurers of any open claims exceeding the company's $500,000 risk retention level and will ultimately cede the losses in excess of the retention up to the policy limits.

III. CRUSADER'S REINSURANCE PROGRAM

As part of Crusader's operations, it entered into agreements (commonly referred to as Treaties) with third-party insurers (commonly referred to as Reinsurers) where the Reinsurer(s) provide coverage for losses exceeding a certain threshold (commonly referred to as Retention) across multiple lines of insurance issued by Crusader, such as property and casualty. This transfer of risk limits Crusader's exposure to loss by limiting their maximum liability from the policies it issued.

The Reinsurers under Crusader's Multiple Line Excess of Loss Reinsurance Contract are Hannover Ruck SE and Renaissance Reinsurance U.S. Inc., each holding a 50% share of the reinsurance coverage. The Treaties provide, in part, separate layers of coverage where the

[2] As of May 31, 2025, the Crusader estate reported 72 open claims.

[3] A total of 14 new claims were reported January 1, 2025 - June 30, 2025. Nine of these claims are habitation related, one is trucking, three are towing, and one is liability.

Reinsurer(s) are liable for the amount of loss in excess of Crusader's Retention, which is $500,000 per each loss or occurrence, with a total coverage limit of $7,500,000 in excess of the Retention.

Crusader elected to exercise the runoff option in its Multiple Line Excess of Loss Reinsurance Contract after it decided to stop writing new and renewal insurance policies, thereby continuing their reinsurance coverage for claims arising from policies already in force.

From June of 2023 through year-end 2024, Crusader billed $7,120,897 under the multi-lines treaty and has collected $7,474,706. The Crusader estate will continue to cede losses and loss expenses for any claim payments in excess of the company's $500,000 retention. Crusader manages the reinsurance relationship through Gallagher Re, a known and reputable global reinsurance broker.

IV. CRUSADER'S STAFFING & OVERHEAD

Upon entry of the Conservation Order, the Crusader estate sought to preserve elements of the company's institutional knowledge and functional skills by retaining 12 full-time employees and four independent contractors to support the estate's transition and initial run-off operations.

Eight of the full-time retained staff were dedicated to claims handling work, two employees provided financial/accounting (reporting) support, one provided administrative/regulatory support, and one retained employee handled the information systems, programming, and servers.

One of the four independent contractors retained by the Crusader estate supported the accounting and financial/regulatory reporting area, one the processing of monthly reinsurance cessions, one handling IT management, and one contractor manages the estate's human resource area and payroll. All four independent contractors worked for Crusader prior to conservation and were readily available and familiar with the company's operations. The flexibility of using knowledgeable contractor resources on an "as-needed" basis allowed the estate to better control and reduce monthly expenditures through the consolidation of tasks, systems and functional positions where feasible.

As the retained Crusader staff worked to manage operations and close claims over the

second half of 2023 through year-end 2024, the estate's staffing levels were reduced to try to match resources to the work on-hand. In August of 2023 the conservation estate reduced one full-time adjuster, and converted one full-time accounting clerk to part-time independent contractor status due to reduced demand and consolidation of work respectively.

By October of 2023, the estate terminated a second claims adjuster and worked through December of 2024 with four claims adjusters (including a lead managing adjuster) and two claims associates supporting the claims intake, reserve adjustments and payment processes.

In addition to the six remaining claims staff, the estate continues to retain the services of a CFO, one administrative/regulatory manager, and one employee handling the day-to-day operations of the information systems, programming and servers.

The estate continues to use five independent contractors, two assisting part-time in accounting (in part to ensure proper separation of duties and internal controls are maintained), one IT management consultant, one part-time consultant handling reinsurance reporting, and one part-time consultant to manage the human resource requirements and payroll.

For the six months ending December 2023, the estate incurred $236,072 in independent contractor expenses supporting the Crusader run-off. In 2024 the estate incurred $722,043 in contractor expenses for a total spend of $958,114 during the 18 months ending at year-end 2024.

The approximate cost of all payroll and payroll-related expenses for the 12 full-time employees during the First Reporting Period was approximately $2.62 million. In addition, 10 of the full-time employees have severance balances due at their termination. The total severance accrual at conservation was approximately $392,000, and the amount accrued as of December 31, 2024 increased to $415,395. Further, as an incentive to remain and help the Crusader run-off effort, the Deputy Conservator has provided full-time employees with a modest retention agreement that pays the employee 2.5 percent of their annual salary, prorated and paid out each quarter-end.

Finally, the Crusader estate has maintained the company's legacy 401K retirement program. The Crusader estate continues to honor a nominal employer contribution to the program (participating employees may continue to contribute at their election); the estate contributed

$38,861 in 2023 and $37,669 in 2024. The conservation estate has continued to administer the program including the required annual regulatory filings, audits, testing and plan tax returns as required. The program remains in compliance with federal law and will continue to be administered through the run-off.

The Deputy Conservator will reassess staffing needs during the fourth quarter of 2025.

V. CRUSADER'S DECEMBER 31, 2024 FINANCIAL STATEMENT

The balance sheet, attached as Exhibit B to the concurrently-filed Declaration of Scott Pearce in support of the Commissioner's Motion Approving Payment of Administrative and Professional Fees for the First Reporting Period, reports the assets, liabilities and surplus of the Crusader conservation estate for the First Reporting Period. The Crusader accounting staff together with assistance from the CLO manage all accounting and financial aspects of the Crusader estate, including the general ledger, financial statements, account reconciliation, cash management, investment and banking relationships, accounts payable, receivable accounting as well as audit and regulatory/tax compliance. The CLO's Finance and Accounting Department is also responsible for the reconciliation of all cash receipts and disbursements of the estate and will prepare all financial analysis and reports as necessary. As of December 31, 2024, assets exceeded liabilities resulting in a policyholder surplus of $2.78 million.

A. Assets

As of December 31, 2024, Crusader has cash and invested assets at market value and accrued investment income totaling $14,327,185. Approximately $10,722,090 of that is unrestricted. Included in the cash and cash equivalents, the estate has approximately $616,571 in pledged assets on deposit with the California State Treasurer and the Insurance Commissioner of the State of Nevada. These deposits were required for Crusader to write certain lines of credit in California and for its admission in states other than California. Additionally, as of December 31, 2024 Crusader had $2,988,524 in assets held as collateral by Comerica Bank & Trust in accordance with a reinsurance trust agreement between Crusader and United Specialty Insurance Company to secure payment of the estate's obligations under the reinsurance arrangement.

In addition to the current cash and cash equivalent assets described above, Crusader reported $1,929,849 in reinsurance receivables due the estate, $559,038 in amounts due from Unico or other affiliates, and a $143,478 equity balance in the California FAIR Plan. The Crusader estate's total assets as of December 31, 2024 totaled $16,959,550.

B. Liabilities

Losses and loss adjustment expenses represent the estimated policy reserves, including claim exposure that has been incurred but not reported (IBNR), for policyholder claim obligations less estimated amounts recoverable from reinsurers or subrogation. As of December 31, 2024, the Crusader estate reported $13,991,001 in loss and loss adjustment expense reserves. The December 31, 2024 statement also reports approximately $183,839 in accrued expenses, fees and other operating liabilities. When added to the year-end policy reserves, the Crusader estate reported total liabilities of $14,174,840 as of December 31, 2024. The losses and loss adjustment expenses paid to date (i.e., those in excess of $500,000) make the basis for subsequent reinsurance billings through the estate's reinsurance program discussed above.

C. Operational Expenses

Crusader incurred estate operating expenses during the First Reporting Period in the amount of $5,207,309. The estate's expenses fall into two broad categories: (1) $4,738,411 in direct estate expenses paid by Crusader and (2) $468,898 paid to the CLO for their administrative fees and expenses.

Concurrently with this status filing, the Conservator has prepared an application seeking court approval of the fees and disclosure of the expenses incurred during the First Reporting Period pursuant to Insurance Code sections 1035 and 1036. The Crusader estate will continue to file annual reports and fee applications to advise the Court of our ongoing progress to closure.

D. Taxes

Crusader is a participant in the Unico consolidated tax group and has prepared its 2023 pro forma tax information in accordance with the group's tax sharing agreement. It has also provided the necessary financial reporting and schedules to be included in the group's 2024 consolidated tax filing. The consolidated group used the Armanino audit firm to prepare the 2023 return and

the 2024 tax return for the consolidated group. Additionally, the estate has prepared and filed a Form 5500 Annual Return/Report of Employee Benefit Plan for 2023 and 2024 associated with the 401K retirement program.

CONCLUSION

During the First Reporting Period, the Conservator has resolved hundreds of claims and has been working diligently to close the remaining 84 claims. The Conservator continues to effectuate Crusader's runoff as efficiently as feasible.

Dated: November 26, 2025

Respectfully Submitted,

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/s/ Andrea Schoor-West
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DECLARATION OF SERVICE BY ELECTRONIC MAIL

Case Name:	Insurance Commissioner of the State of California Insurance Commissioner of the State of California v. Crusader Insurance Company
Case Number:	23STCP01915
Party Represented:	Insurance Commissioner of the State of California, Conservator for Crusader Insurance Company

Declaration of Electronic Service

1. I am at least 18 years of age and not a party to this matter.

2. I am employed in the Office of the Attorney General of the State of California. My business address is 300 South Spring Street, Suite 1702, Los Angeles, CA 90013-1230, County of Los Angeles.

3. My electronic service address is Monica.Guerrero@doj.ca.gov.

4. On November 26, 2025, I electronically served the following document[s]:

   COMMISSIONER'S FIRST STATUS REPORT ON THE CONSERVATION OF CRUSADER INSURANCE COMPANY

5. I electronically served the aforementioned document[s] by emailing them to the following individual[s]:

   Courtesy Copy to:
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   Attorneys for Defendant Crusader Insurance Company in Case No. 23STCV09206

I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct, and that this declaration was executed on November 26, 2025.

M. Guerrero	*/s/ M. Guerrero*
Declarant	Signature

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